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ABSTRACT

This report offers three broad suggestions for redefining how small town service delivery is examined. First, it uses a very broad definition of service delivery that encompasses revenue enhancement methods, expenditure reduction options, and innovative program arrangements. Second, it argues that three interrelated categories of research needs must be addressed: measurement of community management capacity, studies that inventory and assess intergovernmental responsibilities, and studies of the alternative financing and service delivery modes. Third, noting the lack of existing research, the paper argues for the implementation of limited or exploratory studies, especially those that examine several states comparatively. The report also offers guidelines for developing a research design using a simulated case study approach in which local officials are asked to explain their perceptions of the usefulness of various options, drawbacks to their use, and other relevant factors. Such case studies would address the relationships among existing management capacity, intergovernmental responsibilities, and alternative financing and service delivery options, and the methodology would allow for systematic data collection while capturing the uniqueness of governmental units. Topics are suggested for future research with a focus on service delivery and financing options, policy implementation, and local capacity-building. Citations for 108 references are included. (Author/NEC)

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Setting Smalltown Research Priorities

The Service Delivery Dimension

Beverly A. Cigler

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Setting Smalltown Research Priorities: The Service Delivery Dimension. By Beverly A. Cigler. Agriculture and Rural Economics Division, Economic Research Service, U.S. Department of Agriculture. Staff Report No. AGES860818.

ABSTRACT

This report examines alternative options for local government service delivery and financing in rural areas with a focus on potential constraints to their use. Research gaps are identified and topics suggested for future research, with a focus on service delivery and financing options, policy implementation, and local capacity-building. Simulated case studies are suggested to meet priority research needs.

Keywords: alternative service delivery, rural capacity-building

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SUMMARY

Existing service delivery research on governments of all sizes has generally examined only the frequency of alternative (nontraditional) service delivery options or compared costs between public versus private provision of services. The first set of studies reveals a wide variety of institutional alternatives for service delivery. The second body of research has not produced clear results and methodological limitations are severe.

What is most striking about research in general on rural governments is the sparse investigation by academics at all. Most so-called research has been either broad theoretical discourse leading to prescriptive policy statements, or general management principles applied to the rural setting without concern for its uniqueness. The existing research on small rural communities has not been directly aimed at systematically uncovering the obstacles to program development, delivery, and implementation. Nor has research been directed toward finding ways to mitigate the identified constraints. We know very little about the basic linkages between service delivery mode and local environmental and organizational variables.

The sparse empirical research has found both high interest among small governments in nontraditional tools, methods, strategies, and institutions for service delivery, and low levels of activity for all but the most traditional alternatives. There is a need, however, to redefine the research problem away from the development of mere laundry lists of advantages and disadvantages of various service delivery options toward a broader examination of the current capacity of rural government to delivery services, the reasons for existing capacity, and how changes in capacity occur. This could guide policy-relevant research toward explaining why there are such low levels of alternative service-delivery modes. Similarly, research findings could be used to help mitigate the obstacles to program development and implementation.

This report offers three broad suggestions for redefining how we examine smalltown service delivery. First, it uses a very broad definition of service delivery that encompasses revenue enhancement methods, expenditure reduction options, and innovative program arrangements. Second, it argues that three interrelated categories of research needs must be addressed: measurement of community management capacity, studies that inventory and assess intergovernmental responsibilities, and studies of the alternative financing and service delivery modes. Third, noting the lack of existing research, the paper argues for the implementation of limited or exploratory studies, especially those that examine several States comparatively.

The report also offers guidelines for developing a research design using a simulated case study approach in which local officials are asked to explain their perceptions of the usefulness of various options, drawbacks to their use, and other relevant factors. Such research would help obtain answers to questions like: For what specific policies, programs, or services are various alternatives most feasible? Which approaches are most appropriate for the characteristics most descriptive of rural areas (sparse population, weak management capacity)? Case studies would address the relationships among existing management capacity, intergovernmental responsibilities, and alternative financing and service delivery options. The methodology developed in this report allows for systematic data collection while capturing the uniqueness of governmental units. Comparisons of data across communities and States are possible.

Setting Smalltown Research Priorities

The Service Delivery Dimension

Beverly A. Cigler

THE RESEARCH PROBLEM

The problems and needs of rural and small jurisdictions are different from those of urban areas so "solutions" must also be different (44, 79).1/ The objective of this report is to identify priority research needs in the area of rural public service delivery.

Existing service delivery research relating to all government unit sizes has generally (1) examined only the frequency of alternative (nontraditional) service delivery options or (2) compared costs between in-house and contracted services or public versus private provision of service, for example. The first set of studies reveals a wide variety of institutional alternatives for service delivery, but little actual use of options. The second body of research has not produced clear results and methodological limitations are severe.

While alternative delivery modes are often encouraged via laundry list approaches, little systematic research on the political feasibility, economic costs, and administrative obstacles to their implementation has occurred. Ways to mitigate the obstacles to the political, economic, or administrative feasibility of such arrangements are still speculative. Little is known about the successes and failures of such approaches or what local officials think are the obstacles to their use. Perceptions and objective assessments of their usefulness are unstudied.

FRAMEWORKS TO GUIDE RESEARCH

My recent study of 207 small North Carolina communities, which obtained data via structured questionnaires mailed to local officials, offers a framework for studying alternative institutional and service delivery arrangements (19). Three categories of alternative service delivery modes, including financing mechanisms, were developed to guide the research:

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1/ Underscored numbers in parentheses cite sources listed in the References.

(1) Strategies to increase revenue generation (such as imposing user fees and impact fees, searching for new grants, searching for new industrial and commercial institutions, raising taxes, imposing new taxes, annexing additional land, and so forth);

(2) Strategies to reduce expenditures (such as increased program efficiency, circuit riders, cutback management strategies, volunteerism, contracting, joint provision of services with other governments, private-public cooperation, and so on); and

(3) Program/administrative innovations to facilitate more effective and efficient service delivery (such as new methods of fiscal management, personnel management, capital improvement programs, budgeting systems, computerized management information systems, and so forth).

The North Carolina research found both high interest in nontraditional tools, methods, strategies, and institutions for seeking new revenue sources, reducing expenditures, and developing administrative innovations to facilitate service delivery, and low levels of activity for all but the most traditional alternatives. Low utilization of most alternative delivery modes in North Carolina was likely caused by weak management capacity, uncovered in the research by examining where the small governments go for assistance, their informational levels about delivery alternatives, and how information is used.

Honadle's review of previous research on rural areas and smaller jurisdictions offers another useful framework for examining rural public service delivery (44). She points out place-specific obstacles to effective program development, service delivery, and general governance. She cites (1) geographic isolation, (2) low population density, (3) mobility disadvantages, (4) scarcity of fiscal resources, (5) lack of expertise and human resources, (6) personal familiarity, (7) resistance to innovation, and (8) lack of ancillary services as the major obstacles uncovered by researchers in their largely descriptive and traditional case study efforts. While not all of the eight characteristics are exclusive to rural governance (such as scarcity of fiscal resources), many are unique to rural areas (such as geographic isolation, low population density) and some others (such as scarcity of fiscal resources, lack of expertise) may have unusually negative impacts on rural areas.

Honadle also has offered a careful definition of an organization's "capacity" as its ability to: anticipate and influence change; make informed, intelligent decisions about policy; develop programs to implement policy; attract and absorb resources; manage resources; and evaluate current activities to guide future action (46).

The drawbacks of the existing rural service delivery research are so great that there is a need to redefine the research problem. Rather than a mere juxtaposition of alternative service delivery modes with potential local environmental and organizational obstacles, or another laundry list of advantages and disadvantages of various service delivery options and their obstacles, a broader examination of unmet research needs is essential.

The frameworks developed by Honadle and myself, coupled with ideas developed from other research, are used in this paper to develop an approach for understanding the current capacity of rural government to deliver services, the reasons for any limits in capacity, and how changes in capacity occur. This could guide policy-

relevant research to explain why there are such low levels of alternative service delivery modes, coupled with findings that can be directed at mitigating the obstacles to program development and implementation.

Clearly, the lack of basic information on rural governments (existing service delivery mechanisms, the need for facilities and services, their capacity for changes) complicates the present lack of policy-relevant, systematically obtained research on alternative service delivery. In addition, most existing research on service delivery fails to draw on the wealth of research from related areas, especially policy implementation, capacity building, and public finance. Basic questions about how rural governments operate need to be addressed, especially those relating to attempts to reduce expenditures, increase revenues, and develop innovative programs, as was the case with the North Carolina study. Beyond description, however, are questions about which delivery modes and financing mechanisms are most efficient and why. What can rural governments do about their service delivery responsibilities and how do they change and adapt to new alternatives?

Problems relating to management, responsibility, and financing of public service delivery are generic problems of government, differing in degree and emphasis for rural areas. Thus, the literature reviewed here crosses all boundaries relating to government size and location. To suggest priority research needs, the focus is on studies related to service delivery and financing, policy implementation, and local capacity building.

The complexity of the topic and the many linkages among policy concerns for management, authority, and finance dictate that case studies and field investigations be used to determine future research direction. Traditional case studies, however, will not likely yield useful information because of the low levels of community activity on alternative delivery mechanisms. This report argues, instead, that simulated case studies are necessary to trace the likely rural responses to hypothetical delivery modes. In a simulated case study, rural officials would be asked to offer information on the availability and quality of existing service delivery arrangements, as well as to assess local management capacity, governmental responsibility, and financing and delivery of services using nontraditional tools and strategies.

The next section of this report surveys three interrelated categories of research need: measurement of small and rural community management capacity as it relates to alternative service delivery and program management, studies that inventory and assess the allocation of responsibilities among governments, and studies of alternative financing and service delivery modes.

Because systematically gathered data are currently lacking, there is a need for limited studies or exploratory research. Examples include: research that examines several States comparatively so that differences in governmental responsibilities can be uncovered; simulated case studies that uncover distinct differences among and between communities in their abilities to offer new and innovative service modes; and research that might reveal still unknown obstacles to rural decisionmaking and program implementation.

The report concludes with guidelines for developing a research design using a simulated case study approach. Such a study would help obtain answers to questions like: For what specific policies, programs, or services are various alternatives most feasible? Which approaches are most appropriate for the characteristics most descriptive of rural areas (such as, sparse population, little management capacity)?

LINKING MANAGEMENT CAPACITY, INTERGOVERNMENTAL ROLES, AND ALTERNATIVE FINANCING AND SERVICE DELIVERY

Any research conducted on the capacity of rural areas to deliver services efficiently and effectively should recognize that there is no single approach or packaged set of options likely to help local communities. The considerable variation in types of services delivered and means of delivery not only complicates coherent action but also makes relevant research more difficult. Studies examining the linkages among local management capacity, intergovernmental responsibility, and fiscal condition and ability are a key to unraveling many of the difficulties in understanding and influencing rural public service delivery policy. These "nuts and bolts" concerns, primarily organizational and management issues, must be addressed before broader questions of public policy relating to service delivery can be successfully examined. Institutional, legal, and financial responsibility for service delivery is highly dispersed among separate governmental entities and, often, within each local government. Because institutional and political settings affect the nature of the service delivery problem, as well as the options available for dealing with it, uncovering any mismatches among management capability, governmental responsibilities and authority, and fiscal capacity is necessary.

Rural Management Capacity

A number of recent works have addressed the general capacity of small governments to undertake their responsibilities (8, 13, 40, 48, 66, 92). The lack of adequate management capacity (for program development, planning, implementation) may be such a pervasive constraint that rural governments' abilities to use most alternative delivery mechanisms are not feasible (19, 22, 23). Small staff size, for example, makes monitoring and evaluating difficult. Geographic isolation makes the use of joint governmental programs more difficult, although circuit-riding approaches can help even isolated communities. The North Carolina research found both high interest in and little use of alternative service delivery mechanisms, coupled with low information about alternatives (19). More research on the actual use of various delivery mechanisms and perceived obstacles to their use is essential.

Use of some nontraditional service delivery techniques requires more sophisticated planning and budgeting procedures and the design of more effective management techniques (30, 68, 75, 103, 105). Most local governments, for example, budget on a line-item, object-of-expenditure basis. That approach does not provide accurate analysis of public investment decisions. Maintenance and repair costs relating to the public infrastructure are generally not systematically included in typical operating budget allocations. In addition, capital improvement plans--the basis for analyzing public facilities in terms of need and priority, fiscal capability, financing strategy, timing, and growth management--are not commonly used by local governments. The same conclusion holds for the use of capital budgeting and life-cycle costing. Before the feasibility of various alternative service delivery modes can be assessed, more must be learned about local budgeting techniques and obstacles to improved budgeting.

Few local governments have developed even an inventory of their infrastructure since cost accounting is not used to measure public assets for depreciation purposes as in the private sector. It is difficult to plan for the future, in terms of new infrastructure necessary for service provision, rehabilitation of existing infrastructure, and general maintenance of all infrastructure, without

first knowing what government owns, its value, and its maintenance history. Gathering such information is a prerequisite to evaluating the feasibility of one set of privatization alternatives for service delivery: asset management-related options. This involves outright sale of surplus assets or sale and leaseback options.

Even if we overlook the relatively sparse use of many sophisticated financial management tools, poor financial management in general is costly to local governments. The smaller, especially nonmetropolitan, governments are most likely to possess a wide array of administrative inadequacies (14, 15, 21, 22, 31, 44, 93, 96, 97, 107). Research on the topic itself is fraught with many difficulties (78). Research relating to possible administrative inadequacies within local government is necessary. Possible shortcomings to examine include: poor data generation, insufficient planning capacity, weak policy and program coordination, fragmented organizational responsibilities, and poor financial management.

Just as the responsibility to deliver service is scattered among various levels and types of governments, public versus private responsibilities are becoming blurred. As a result, generating and interpreting data are more difficult and decisionmaking is complicated because of constantly changing conditions. Some categories of infrastructure, especially capital facilities (like hospital construction, streets, and water and sewer lines), are being turned over to private organizations. Creative methods of providing and financing capital infrastructure include developer fees, user fees and charges, sale-leaseback arrangements, and leasing of public facilities. The blurring of public and private roles and responsibilities, in addition, differs from one region to another. Utilities in some areas are publicly owned and in other areas are private. Shifts in responsibilities between sectors make trend analysis difficult, complicate projections of need, and pose particularly difficult problems for smaller governments not possessing the monitoring and evaluative capabilities necessary to making adequate decisions for financing needed infrastructure.

Small rural governments may have a special need for external assistance, due to their relative lack of expertise and staff availability. Possible roles to be played by the national and State governments in helping local communities achieve adequate management capacity are another research concern. Given the wide array of administrative inadequacies within government, especially smaller, nonmetropolitan units, "capacity building" looms as very important in establishing preconditions for policymaking success (45, 46, 66). Reviews of the literature of policy implementation and organizational behavior have found that variables related to organizational change and the role of change agents external to a community are very important to policy success (18, 20). (See 5, 10, 16, 50, 61, 63, 64, 76, 80, 83, 101, 102, 108 for major studies within that literature.)

Results from the considerable research on strategies to improve general management practices could also be used to address important options that affect the quality, cost, and efficiency of local service delivery (4, 28, 41). Relevant options include strategies for revenue enhancement that may limit demand for services and expenditure reduction through increased productivity via innovative management techniques. There is a broad literature in public finance, not addressed here, that examines these research concerns (See 38, 39).

Intergovernmental Responsibilities

The current realities of intergovernmental transfers must also be understood and examined when assessing rural financing of service delivery, as well as the ability to plan and implement projects. Diminishing financial resources cause local governments to cut back on operating budget allocations and greatly limit capital investments made for expansion and rehabilitation (17, 51, 72, 73).

State laws and practices that inhibit the ability of rural area governments to solve their problems deserve research attention. Examples of State activities are statutes that place legal restraints and controls on local revenue raising and spending capacity. It also includes laws in some States that prevent local governments from creating capital reserves to finance future capital expenditures (81). Such statutes may be especially harmful to small communities that may otherwise be unable to enter the bond market or operate on a "pay as you go" approach (27, 36, 58, 54, 81).

Smaller governments must increasingly turn to alternative financing and service delivery arrangements, partly because of these State laws (37, 49, 71, 85, 95, 104). That is why researching the management capacity of small communities to assess and use such alternatives must be coupled with research on the allocation of government responsibilities in the Federal system.

Since many communities are forced to "hide" capital reserves within the operating budget for financing future capital needs in the form of contingency reserves, there is a risk that such reserves will be depleted and funds used for noncapital purposes. Research on the existence of such local practices, as they relate to State practices, is also necessary.

The barriers posed by the lack of use of sophisticated financial and planning techniques (such as, capital budgeting, capital improvement planning, strategic planning) by small governments are increased when the structural barriers to decisionmaking posed by the State and national governments are realized. State and local governments receive almost 40 percent of all their public works funds from Federal grants, for example, with regulations and matching requirements largely defining how the balance is used. The effects of Federal and State funding practices and mandates on rural public facilities are another area ripe for research.

Until such basic questions as "who does what, when, where, and why?" in terms of governmental responsibility and authority for service delivery are examined at the national and State levels, the local decisionmaking environment is blurred. Local governments may have to resort to creative financing techniques to deliver services. Research that classifies existing legal, institutional, and financial arrangements across the 50 States is a prerequisite to further research on how alternative financing and other types of service delivery options may be used by local governments. Separate State case studies would be a useful step in determining structural barriers posed by national and State governments.

Alternative Financing and Service Delivery Modes

Rural government capacity for utilizing alternative service delivery modes is a key research concern, as is an understanding of any structural barriers posed by the intergovernmental system. In addition, our knowledge of the capacity of rural governments to use the wide variety of nontraditional service delivery options is related to the more general topic of fiscal stress, cited by Honadle as an obstacle to rural governments' ability to deliver services (44). The

utility of using various means of financing and alternative service delivery modes is related both to real and perceived fiscal conditions.

Real and Perceived Fiscal Stress

Dwindling budgets, public concern over waste, growing service demands, and increasing calls for efficiency and effectiveness in government operations have had significant impact on all levels of government in the eighties (55, 87). Local governments are especially hard hit by changes because they have fewer alternatives to raise revenues.

Reviews of the urban-oriented research literature have shown that recent research has shifted attention away from the earlier expenditure determinant studies toward the revenue side of local government (19, 21, 32, 99). Many studies have traced the relationship between changes in the local environment and changes in revenue reliance patterns (12, 56, 60). The effects of external constraints on local government revenue-raising ability, especially the limits on the use of taxes, have also gained increased research attention, although smaller governments are generally overlooked in the research (27, 36, 54, 58). Events of the early eighties have again attracted attention to the expenditure side of the budget. As Shannon notes, local officials are now guided by a modern set of the three R's: revolt of the taxpayers, reduced Federal aid flows, and recession with no Federal bailout (88).

The growing municipal finance research can be classified into three broad groups, each beset with theoretical and empirical issues: (1) examinations of the nature and dynamics of fiscal austerity, including the use of strategies for responding to stress; (2) examinations of the underlying causes of budget levels, change, and stress; and (3) the outcomes of fiscal stress on government's ability to respond to its constituents.

A case can be made that small, especially nonmetropolitan, governments may be suffering the effects of fiscal crises more than their urban counterparts. Small communities have recently experienced two dramatic changes: (1) a resurgence in population and economic growth and (2) increasing responsibilities for policymaking and service delivery, along with increasing mandates, as public functions are decentralized by successive Presidential administrations heralding a "new Federalism" (22). Just as these communities were beginning to address being thrust into the gamut of intergovernmental relationships, searching for ways to manage change, the effects of the modern three R's and other fiscal woes highlighted the additional drawbacks associated with limited staff, expertise, and management resources.

In addition, Federal programs helping nonmetropolitan areas have received the harshest treatment from the budget axe, with funds for water and sewer grants, job training, land and water conservation, highways, planning, rural health and child nutrition, and the Appalachian Regional Commission either eliminated or drastically reduced. State and local governments have lost an estimated 16 percent of their Federal revenues from the initial Reagan administration cuts, with the local government loss estimated at $5.5 billion or 22.7 percent. Beginning with 1986, 3-year reductions in Federal grants in aid could total an additional loss of $42.6 billion, according to data developed by the National Governors' Association and National Conference of State Legislatures (33). The elimination of general revenue sharing would account for the largest losses.

What is striking about the research on the causes and responses to local fiscal stress is the lack of attention to small rural governments (82, 92). It is

unlikely that what is known from the urban-oriented studies is applicable to small and nonmetropolitan communities, since there is so little consensus on the theories, methodologies, and policy approaches regarding fiscal condition in general (7, 24). Moreover, the extensive literature studying the relationships among urban size and costs, externalities, and benefits is ambiguous. It suggests the need for increased attention to the differences between large and small communities before the feasibility of alternative service delivery modes can be understood (25, 62, 77, 93).

A major technical problem is the lack of standardization in reporting, from community to community and State to State. Small and rural communities are especially beset with the problem of little data or systematic procedures (14, 15, 31, 44, 96). Reeder has offered an excellent review of nonmetropolitan fiscal indicators that highlights the difficulties of small government research (78). Nonetheless, those difficulties must be addressed and solved before any aggregate research on alternative financing or service delivery modes can be implemented.

In addition to the greater difficulties in collecting smalltown fiscal data in the first place, a related theoretical problem further hinders small city fiscal research. Budget increases represent more problems for some communities than others (24, 52). Conceptually, communities under greater stress have fewer options available to them (107). The options themselves are limited by factors like the structural barriers posed by State and national governments, including limitations on debt, tax rates, aid alternatives, capitalization procedures, mandated programs, and others.

Multiple indicators are necessary for studying fiscal stress. In addition, the urban-oriented studies have shown the difficulties in measurement, despite their comparative advantage relative to small governments in accumulating data. Some researchers have used single measures such as revenue/expenditure surpluses and deficits, or bond ratings. Most have constructed indices of hardship or distress, with measures of economic health, fiscal performance, or need. It seems reasonable to expect even greater difficulty in studying small communities. They differ widely in their responsibilities, management practices, legislative policies, and reliance on revenue sources. In addition, data gathered on such communities are less detailed or less frequently available.

Individual State studies may be a necessary first step toward uncovering important factors related to fiscal stress. It is reasonable to assume, for example, that perceptions of fiscal stress cause a government to adjust behavior (expenditure reduction, revenue enhancement, innovative programmatic change) regardless of how those governments might score or rank on objective measures of stress. Thus, research can proceed on alternative financing for service delivery without exact measures of actual fiscal stress.

Impact of the "New Federalism"

A key focus of the Reagan administration's "new Federalism" has been the privatization of public services. Recent works have touted the advantages of contracting out, load-shedding, volunteerism, coproduction of services, and other alternative service-delivery arrangements (9, 74, 85). Other important commentary has offered thoughtful guidance in assessing arguments (6, 84, 89, 91). Although opposition to privatization has often been vocal, local governments have turned to these alternatives to traditional public bureaucracies

for a wide variety of municipal programs and services (37, 42, 98). This report has argued, of course, that small rural governments are rarely studied via systematic, empirical methods.

Public choice theorists offer theoretical arguments favoring privatizing (11, 67, 69, 70, 94). The existing empirical research, as stated at the outset of this report, however, has been limited primarily to measuring the use of alternative service provision and related costs (34, 37). Numerous studies have judged privately supplied services to be less costly than in-house services (2, 3, 29, 53, 57, 86). Research efforts to date are incomplete and beset with limitations. The following paragraphs highlight key considerations for understanding rural service delivery, as developed by this research.

With few exceptions, the existing research overlooks the process of decisionmaking and evaluation in using alternative delivery arrangements, as well as political and organizational context (19, 23, 65, 106). Because small rural governments also have numerous administrative inadequacies, it is difficult to select viable alternative delivery options with inadequate information on institutional capability for undertaking and implementing such options (26). That is why I have argued in this report that general rural management capacity concerns must be understood using systematic data collection methods before the feasibility of nontraditional delivery modes and financing can be addressed.

Few studies have systematically analyzed the reprioritizing of municipal expenditures as a result of the "new Federalism." There has been little work on the relationship between revenue and expenditures urged by Toulmin and Wright (100). Finally, the relationship between expenditure/revenue patterns and innovative program management and service delivery mechanisms has not been examined, as suggested above. All are key research needs.

CASE STUDY APPROACH

Because of widely varying management capacity, intergovernmental responsibilities, legal authority, and financial conditions, a case study approach to linking all of these concerns appears to be the most feasible initial research approach. In this section, preliminary guidelines for developing case studies that address the relationships among the existing rural management capacity, intergovernmental responsibilities, and options for alternative financing and service delivery are outlined.

There is a need for simulated case studies. Field investigation would allow local officials to discuss hypothetical service delivery modes and financing alternatives (drawn from the available revenue enhancement, expenditure reduction, and innovative program tools and strategies available). Officials would explain their perceptions of the usefulness of these options, drawbacks to their use, and other relevant factors. Because researchers across several States and communities would use the same hypothetical situations and questions, data gathered could be used to analyze, compare, and contrast alternative delivery mechanisms with each other as applied in different rural settings for a variety of services.

The questions asked would be developed from the constraints listed in table 1, which is a summary matrix, listing key community features on one axis and delivery alternatives on the other. They would also come from the literature review offered here (table 2). An additional tool for question development is found in the 32 case studies produced by the International City Management

Association and a companion resource paper (35, 49). Several other works provide good checklists of service delivery options, and their expected advantages and disadvantages, as well as other more limited research (47, 59, 85, 90, 95). None of the studies, however, offer the baseline data necessary for understanding rural government service delivery or alternatives. The existing research offers only some guidelines regarding the types of questions to be asked. Field investigation is essential to answering meaningful questions regarding feasibility, effectiveness, efficiency, and other criteria for evaluation.

Provision and production of any service requires two key decision categories:

(1) What service is to be provided, the level of service, and the mechanisms for payment and,

(2) Who will do the work and what will be done?

In addition, a distinction must be made between the provider and producer of services. Government decides whether to be the provider of a service, but may or may not actually produce it. It may turn to some other organization, another governmental unit, the private sector, or volunteers through a wide variety of specific mechanisms (vouchers, franchises, contracting, shared administration, citizen coproduction, or intergovernmental agreements). While government may not actually produce the service, it has a wide variety of roles--decides whether to provide the service, decides how it should be paid for, who will produce the service, and how to monitor and evaluate the service.

Most alternative service delivery mechanisms are used for what has been called the "hardware" types of services delivered by government, as opposed to services related to quality of life (108). In public works and transportation, for example, contracting with the private sector is a frequently used approach. Volunteers and contracting are used for parks and recreation services. Other policy areas use other alternatives, including franchises, subsidies, and intergovernmental agreements. The Abt Associates' classification of categories of public infrastructure, spanning service (education, health, justice, recreation, and transportation), and production facilities (energy, fire safety, solid waste, telecommunications, waste water, and water supply) is also useful (1). Based on the availability of facilities and their condition or perceptions of need for various facilities, specific topics could receive priority research attention.

Criteria for evaluating the utility of the alternative options for various types of facilities include at least the following, all to be considered in research design:

(1) Cost considerations, that is costs to government and to individuals, including administrative costs and political support.

(2) Choice considerations, that is measurement of availability of suppliers and service levels in rural areas by facility type, including the competitiveness of the producer environment.

(3) Legal restrictions by either State or local governments or State or national mandates.

(4) Quality, quantity, and effectiveness of services, using measures of objective and perceived need, as well as service specifications developed for quantity and quality.

(5) Incentives to ensure quality control for producers not bound by guarantees, such as volunteers.

(6) Distributional impacts of servicess by client group.

(7) Service stability (comparisons of producer services).

(8) Effectiveness of a management system for collecting data for monitoring and evaluating cost and service quality, as well as citizen and other client satisfaction.

(9) Feasibility based on both political considerations and measurement of local management capacity for planning and implementing alternative arrangements, as a factor of legal, political, and management constraints (43, 59).

SIMULATED CASE STUDY RESEARCH

The remainder of this section offers research objectives and guidelines for questions to be asked during simulated case studies.

Research Objectives

Local service delivery officials would be asked extensive structured questions relating to the following broad research objectives:

(1) For which specific policies, programs, or services are various institutional alternatives and delivery modes most feasible?

(2) What are the current obstacles to use of the new alternatives for revenue generation, expenditure reduction, and program innovation for the identified policies, programs, or services?

(3) How can such alternatives be monitored and evaluated by rural governments?

(4) What are the potential impacts on service delivery effectiveness, efficiency, and equity of using various institutional alternatives and service delivery modes?

(5) How would the feasibility/application of alternative institutional, delivery modes, and innovations be affected by community characteristics, such as nature of the governing board, economic structure, and information dissemination processes?

Research is needed to answer each of those questions with sufficient rigor so that pilot or trial applications could be undertaken with reasonable certainty that intended objectives would be achieved without adverse or unexpected consequences.

Possible Research Approach

Three phases of research could be undertaken.

(1) The first phase would focus on determining the feasibility of using various revenue generation, expenditure reduction, and program innovation techniques to

mitigate the obstacles to effective program development, service delivery, or program implementation over a range of programs and service delivery alternatives.

The goal would be to produce a list of the types of program development and service delivery problems to which a given alternative might feasibly be applied and an indication of the opportunities or problems associated with each alternative for rural communities. This would involve addressing all the criteria for evaluation discussed earlier through actual case studies in a selection of local communities.

The literature review presented in this report found that this first phase of research could not be adequately completed by merely reviewing existing research reports and secondary data, although both are valuable. Field investigation is necessary. That is the single most important conclusion of this report.

(2) During the second phase, the research would answer questions related to administration of various available alternatives, their impacts, and legal issues. This also involves original data collection in selected jurisdictions chosen to be representative of different types of service delivery problems. That is, rural areas and small jurisdictions would both be included. Jurisdictions in a growth State and in a declining economy could be selected.

Scenarios would be constructed to assess the impacts of a given delivery mechanism under various conditions and to examine various administrative alternatives. Survey research procedures could also be used to examine administrative issues; that is, local officials would be asked to assess and comment upon various issues related to administrative feasibility in their jurisdictions.

Ideally, a number of jurisdictions might be selected for study, equally divided among several States, with both cities and counties included. The research design would include: a range of population sizes, communities within and outside of Metropolitan Statistical Areas (MSA's), both growing and declining local economies, and communities that could clearly benefit from the alternative types of service delivery and financing (chosen based on existing data on availability and need or by an advisory panel to the research team).

(3) During the third phase, a series of pilot applications of the service delivery alternative could be undertaken and monitored in cooperation with selected jurisdictions. The goal would be to test the feasibility of such options for rural communities. Or, a guidebook could be designed to ease the development of such pilot tests. The goal would be to develop dissemination strategies for successful practices identified through research.

Necessary Research Tasks

To pursue the simulated case studies a number of specific research tasks need to be addressed:

(1) Develop an inventory of alternative institutional arrangements and service delivery mechanisms across a selection of rural public facilities and services in specific communities.

(2) Assess the potential impacts of alternative institutional arrangements and service delivery modes over the range of facilities and services.

(3) Identify and evaluate potential secondary effects from alternative institutional arrangements and delivery mechanisms.

(4) Develop an inventory of legal and political issues and constraints associated with the use of various alternatives.

(5) Assess information dissemination strategies for the various alternatives.

The research tasks above involve a series of common procedures that must be completed.

Program Feasibility Analysis

This is accomplished by applying the research reviewed in this report through case studies of the potential application of selected alternatives in study sites. Communities would be selected to demonstrate a range of characteristics that demonstrate the difficulties of rural program service delivery: population size, geographic isolation, availability of in-house expertise, and other relevant factors. In each case study, a sample of programs would be examined, with costs, benefits, and obstacles to implementation measured and assessed. These analyses would yield conclusions about whether various alternative institutional arrangements and service delivery mechanisms are worth consideration by jurisdictions with similar characteristics, what the ideal arrangement should look like, and how arrangements can be monitored.

Evaluation of Alternative Institutional Arrangements and Their Impacts

The following institutional issues would be explored for each case study community: different ways of administering a given arrangement, design of programs, State and Federal constraints of programs, administrative costs, alternative administrative arrangements, and so on. Necessary tasks include use of the literature review in this paper, correspondence with agencies and governments using comparable approaches, and simulation of one or two approaches in the case study jurisdictions.

Evaluation of Secondary Effects

This includes monitoring procedures, changes in State-local relations, changes in information dissemination, relations between citizens and government, and public-private relations. The approach would include constructing hypothetical cases and tracing their effects, as well as interviewing and exploring how decisions by various actors would have differed if such arrangements had been in place.

Exploration of Legal Issues

Legal reference materials for each State would indicate if additional enabling legislation were necessary.

* * *

This section has presented broad guidelines for developing a research agenda to link several major research traditions argued to be equally important in understanding rural service delivery options, obstacles, successes, and failures. These are questions relating to rural management capacity, intergovernmental responsibilities and authority, and the financing and choices available in

selecting alternative service delivery options. The overall report has presented a review of key literature from those research traditions, as well as suggestions for priority research within each category.

The research agenda suggested is exploratory in nature, with a clear need for field investigation using systematically gathered data. In addition, because current use of alternative delivery modes is low, the report has argued that simulated case studies--those using hypothetical delivery alternatives presented to local officials along with series of questions about obstacles, strengths, and weaknesses--are practical for an initial research approach, especially when coupled with data gathering that involves objective measures of existing management capacity, service delivery need and practice, and other obtainable data such as information on legal authority.

The simulated case study methodology developed here is an innovative approach to research involving very small governments with little experience in delivery alternatives. The methodology allows for systematic data collection, while capturing the uniqueness of governmental units. It allows for comparisons of data gathered across communities or across States.

Table 1--Potential constraints to uses of alternative service delivery options

Vertical axis, community and government characteristics	Horizontal axis, delivery alternatives
Physical:	**Revenue enhancement:**
Isolation	User fees
Lack of mobility	New grants
Lack of private service providers	New taxes
Lack of capacity-building institutions	Annexation
Demographic:	**Expendition reduction:**
Low population	Increased efficiency
Low population density	Coproduction and voluntarism
Fiscal:	Contracting (private sector)
Stress	Food-shedding
Intergovernmental transfer cuts	Purchase from other government
Government size:	Service shift to other government
Lack of expertise	Public-private partnership
Small staff size	Joint provision with another government
Lack of ancillary services	**Program and administration innovation:**
Weak evaluative capability	New budget practices
Weak monitoring capability	Improved financial management
Poor data generation	Personnel training
Poor planning capability	Use of computers
Weak policy/program coordination	Capital improvements
Fragmented organizational responsibilities	
Informality	
Part-time elected officials	
Legal barriers:	
State laws	
Federal mandates	

Table 2--Examples of researchable propositions derived from table 1

A. Revenue enhancement and potential constraints and opportunities

1. A rural government's ability to find new grants to finance service delivery is hampered by the lack of staff expertise.
2. A rural government's ability to increase revenues for more efficient and effective service delivery via user fees is hampered by the lack of local population.
3. A rural government's ability to increase revenues for more efficient and effective service delivery is hampered by the inability to generate data of sufficient quality for making careful revenue decisions.
4. Legal constraints by State laws limit a rural government's ability to increase revenues and use innovative options for service delivery.

B. Expenditure reduction and potential constraints and opportunities

1. Increased program efficiency is constrained by the lack of evaluative capability within rural governments due to small staff with limited expertise.
2. Use of citizen coproduction and various forms of volunteerism by rural governments is constrained by low population density and low population size.
3. Use of private sector contracting is constrained by the lack of private service providers.
4. The effectiveness and efficiency of private sector contracting by rural governments are constrained by weak ability to evaluate alternatives and monitor private sector service provision.
5. Geographic isolation hampers the use of joint provision of services among governments.
6. Geographic isolation increases opportunities and willingness of rural officials to participate in circuit-riding approaches to provision of some services, traveling teams of service providers, and other joint provision of services approaches.
7. Low population density within rural areas increases opportunities for joint provision of services among governments.

C. Obstacles to program and administrative innovation as an approach to improved service delivery

1. The use of more sophisticated budgeting and financial techniques increases governments' ability to use alternative service delivery options. Lack of rural staff expertise hinders development of sophisticated budgeting and financial techniques.
2. Poor data generation within rural governments lessens their ability to use improved management practices necessary to some alternative service provision techniques.
3. Local officials' perceptions of fiscal stress, regardless of objective measures of fiscal stress, constrain attempts at innovative methods of providing services.

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